

## SEPARATION OF CRITICAL DUTIES IN TRANSACTION CYCLES WITHIN THE STATE COURT SYSTEM

The purpose of “**separation of duties**” is to ensure that no single individual is placed in such a circumstance that (s)he can cause and conceal errors and/or irregularities (or be vulnerable to others doing so), while performing regularly assigned duties. Three fundamental categories of duties must be separated:

1. Custody of assets
2. Authorization of transactions (including authorization to execute a transaction); and
3. Record keeping/accounting/reconciliation.

*Critical duties* are those duties which must be divided among employees to clearly establish accountability and to reduce opportunities for misuse of funds. Other *non-critical duties* may also occur in a given transaction cycle, but need not be addressed for the purpose of “separation of duties.”

Achieving a complete division of critical duties depends on the staff available in a court. A court with a small staff may have to allow some overlap of duties. In each instance of overlap, the Court Executive must document in writing a plan providing for an “External Review” of the documents and transactions that relate to that transaction cycle, to be done by an employee who is independent of that transaction cycle. Court Executives should assign Clerks of Court or other designees to conduct monthly “External Reviews,” as local court circumstances may require.

Adequate separation of duties would exist if only one employee performs the set of critical duties for any one category within the three fundamental categories of a transaction cycle. No employee should have control over all three categories of duties for a transaction cycle, either formally or informally.

Following are charts, which outline and separate the critical duties in transaction cycles within the State Court financial system

District: \_\_\_\_\_ Court Office: \_\_\_\_\_ Effective Date: \_\_\_\_\_

### Transaction Cycle: Hand Receipt Use

DUTY 1: Custody of Asset	DUTY 2: Authorized to Use	DUTY 3: Record Keeping/Accounting
<p style="text-align: center;"><b>Hand Receipt Custodian</b></p> <p>Secures the inventory of new and used hand receipt books. Distributes the hand receipt books to employees who cashier on a regular basis, one book per employee. Maintains the distribution log.</p>	<p style="text-align: center;"><b>Only employees who perform cashier duties should be assigned a Hand Receipt Book</b></p> <p>Secures assigned hand receipt book. Issues hand receipts. <i>(See Accounting Manual)</i>.</p>	<p style="text-align: center;"><b>Hand Receipt Reconciler</b></p> <p><b>DAILY:</b> Reconcile the issued hand receipts (yellow copies turned in with Cash Count Forms) to the corresponding daily computer receipt records to ensure the receipt details and composition agrees.</p> <p><b>QUARTERLY:</b> Account for the numerical sequence of assigned hand receipts by verifying that the hand receipts were issued and receipted on the computer, voided properly, or are still unused in the receipt book.</p> <p><b>SEMI-ANNUALLY:</b> Compare the AOC Finance Hand Receipt Distribution records to the Hand Receipt Custodian's Log to verify that all the books were received and entered on the Custodian's Log. <i>(See Accounting Manual)</i>.</p>
Employee(s) assigned:	Employee(s) assigned:	Employee(s) assigned:
		<b>DAILY:</b>
		<b>QUARTERLY:</b>
		<b>SEMI-ANNUAL:</b>

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### TRANSACTION CYCLE: CASH CHANGE FUND USE

DUTY 1: Custody of Asset	DUTY 2: Authorized to Use	DUTY 3: Record Keeping/Accounting
<p style="text-align: center;"><b>Cash Change Fund Custodian</b></p> <p>Delegates a portion of the local court Cash Change Fund to <i>Cashier(s)</i> to use in the receipting process. Retains a portion to make change for <i>Cashiers</i> who run short of change.</p> <p>The custodian is responsible for any shortages or irregularities in accounting for the Cash Change Fund.</p> <p><i>The court should have one Cash Change Fund Custodian and an alternate.</i> The Court Executive or designee needs to perform and document an “unannounced” verification count of the Cash Change Fund three times per year.</p>	<p style="text-align: center;"><b>Cashier(s) assigned a portion of the Cash Change Fund</b></p> <p>Authorized to use assigned portion of the local court Cash Change Fund to make change in the receipting process.</p> <p>A <i>Cashier</i> secures his/her portion of the Cash Change Fund in his/her locked cash drawer or other locked container during the day. The fund is kept overnight in the court safe or vault.</p> <p><i>Cashier(s)</i> record his/her Cash Change Fund amount on the daily Cash Count form.</p>	<p style="text-align: center;"><b>Deposit Verifier/Preparer</b></p> <p>The <i>Deposit Verifier/Preparer</i> performs a verifying count of <i>Cashier(s)</i> receipts and Cash Change Fund in the presence of each <i>Cashier</i>. Both the <i>Cashier</i> and the <i>Verifier</i> sign the Cash Count Form as accurate. This process ensures each <i>Cashier</i>’s portion of the Cash Change Fund is intact. The <i>Cashier</i> gives the original Cash Count Form to the Accountant. The <i>Deposit Verifier/Preparer</i> takes custody of each <i>Cashier</i>’s receipts and prepares the revenue and trust deposits.</p>
Employee(s) assigned:	Employee(s) assigned:	Employee(s) assigned:

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**TRANSACTION CYCLE: *MAIL PAYMENTS***

<b>DUTY 1: Record Keeping</b>	<b>DUTY 2: Record Keeping</b>	<b>DUTY 3: Custody of Assets</b>	<b>DUTY 4: Authorization and Custody of Assets</b>	<b>DUTY 5: Record Keeping/Accounting</b>
<b>Mail Log Preparer</b> Records mail payments on the Daily Mail Log. <i>The Mail Log Preparer and Witness may work together to ensure all mail payments are recorded.</i>	<b>Mail Log Witness</b> Witnesses that all payments received by mail are recorded on the log.	<b>Cashier(s) Who Receipt Mail payments</b> If both the Mail Log Preparer and Witness sign the Mail Log attesting to the accuracy of the payments listed, either employee can receipt mail payments on the computer if s/he is a Cashier.	<b>Deposit Verifier/Preparer</b> Verifies Cashier(s) Cash Count Form, which includes mail payments. Include all mail payments in revenue and trust daily deposit(s).	<b>Accountant</b> Reconciles the mail log payments to the daily receipt records.
<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s):</b>

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**TRANSACTION CYCLE: *REVENUE/TRUST FUNDS***

<b>DUTY 1: Record Keeping</b>	<b>DUTY 2: Custody of Assets</b>	<b>DUTY 3: Authorization and Custody of Assets</b>	<b>DUTY 4: Record Keeping/Accounting</b>
<p><b>Employee(s) who enter and/or adjust Accounts Receivable/Order Accounts</b></p> <p>Sets up amounts ordered by a judge, Uniform Fine &amp; Bail Schedule, small claims/civil filing fees, etc.</p> <p>An employee, without access to or custody of monies should enter Accounts Receivables/Order Accounts.</p>	<p><b>Cashier(s) receipting Revenue and Trust payments</b></p> <p>Receipts revenue and trust payments, and maintains funds in a secure device.</p>	<p><b>Deposit Verifier/Preparer</b></p> <p>Verifies Cashier(s) Cash Count Form to the cash, checks, and credit card payments received; signs the Cash Count form in the presence of the Cashier.</p> <p>Reconciles Cashier(s) receipts submitted for deposit (including mail payments) to daily computer receipt records entered by each Cashier.</p> <p>Prepares revenue and trust deposits.</p>	<p><b>Accountant</b></p> <p>The employee performs the daily balancing, including adjustments, (e.g., over/short, NSF Reversals, fix trans, etc.).</p> <p>Review transaction reversals, credits, adjustments, suspensions, etc., including verifying supporting documentation. Reconciles the cash/check composition on the daily Cash Count Forms, to receipt records, and to the validated deposit slips.</p> <p>Prepares weekly revenue reports.</p>
<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>

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**TRANSACTION CYCLE: *TRUST FUNDS DISBURSEMENT (Complete a Separate page for each account)***

<b>DUTY 1: Custody of Asset</b>	<b>DUTY 2: Record Keeping/Accounting</b>	<b>DUTY 3: Authorization of Disbursement</b>	<b>DUTY 4: Reconciliation</b>
<p align="center"><b>Trust Account Check Stock Custodian</b></p> <p>Secures the inventory of the blank check stock paper. Retrieves the check stock needed for the trust account check writer.</p>	<p align="center"><b>Trust Account Check Writer</b></p> <p>Requests blank check stock paper from custodian. Prepares checks and updates check register at least weekly. Reviews trust funds held in the trust account quarterly to ensure funds are disbursed timely.</p> <p>An alternate check writer should be assigned who is not also a trust check signer or reconciler.</p> <p>(List all employees with access rights to use CORIS or CARE Check Writing.)</p>	<p align="center"><b>Trust Account Check Signers</b></p> <p>After review of supporting documentation, the required dual signatures indicate the trust disbursement is approved.</p> <p>The employee performing the second signature mails the checks and/or delivers the checks, payable to the court revenue account, to a cashier.</p>	<p align="center"><b>Trust Account Reconciler</b></p> <p>The employee reconciling the trust account should open the bank statement, access the reconciliation feature on CARE/CORIS, and prepare the monthly reconciliation . The reconciler must account for the numerical sequence of all trust checks, including voided and cancelled checks. Cancelled checks must be reviewed for accuracy. The reconciler (or designee) other than the check writer is responsible for monitoring Positive Pay.</p> <p>Only the employee performing the daily accounting (not the reconciler) is authorized to enter deposit/bank adjustments into the computer system(s).</p>
<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>

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**TRANSACTION CYCLE: *JUROR/WITNESS PAYMENTS USING NEW FINET***

<b>DUTY 1: Record Keeping<sup>1</sup></b>	<b>DUTY 2: Authorization</b>	<b>DUTY 3: Reconciliation</b>
<p align="center"><b>Payment Entry</b></p> <p>Employee assigned Juror/Witness payment entry duties stamps witness subpoena, juror summons or jury list and enters coding. Process each payment using FINET.</p> <p>Juror lists and subpoenas serve as authorization for payment and are to be filed by day within the month for reconciliation and audit purposes.</p>	<p align="center"><b>Payment Approval</b></p> <p>AOC Budget employee(s) authorized in FINET to approve Juror or Witness payments issued by a court office employee.</p>	<p align="center"><b>Juror/Witness Payments Reconciler</b></p> <p>Employee(s) assigned to perform the monthly reconciliation of payments made to jurors/witnesses. By the end of the month following payment, the reconciler will perform the juror/witness reconciliation according to accounting policies and procedures.</p>
<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_

<sup>1</sup> Court Executives may designate one alternate to enter juror/witness payables on FINET.  
AOC Audit Services 5/6/2011

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**Transaction Cycle: *Purchasing/Payables Processed in FINET or CARE using Restitution Work Funds (RWF)***

<b>DUTY 1: Authorization</b>	<b>DUTY 2: Custody of Asset</b>	<b>DUTY 3: Record Keeping/Accounting</b>	<b>DUTY 4: Authorization<sup>2</sup></b>	<b>DUTY 5: Reconciliation</b>
<p><b>Purchaser</b> Employee authorized to make purchases. CJA Rule 7-307(3) states . . . purchases made using Restitution Work Admin Funds shall be approved by the Juvenile Court Administrator.</p>	<p><b>Receiver</b> Employee(s) receiving purchases should examine items delivered for damage, shortages of quantity, etc. prior to signing receiver document. Submit receiver to the employee authorized to process payables using FINET/CARE (RWF).</p>	<p><b>Payment Entry</b> Employee(s) enters payment information into FINET/CARE. Scans the invoice and all supporting documentation into FINET (attached to FINET Payable Document). Retains invoice and all supporting documentation for RWF purchases paid through CARE per court retention schedule.</p>	<p><b>Payment Approval</b> Court Executive or designated alternate compares each FINET Payable Document to the scanned invoice and supporting documentation. Ensures each expenditure is valid and all information has been entered into FINET accurately before entering electronic approval. RWF purchases approved by Court Executive or designee refer to Trust Funds Disbursement Cycle.</p>	<p><b>Reconciler</b> After the invoice and supporting documentation is scanned (see duty 3), the documents are routed to the reconciler. After month end, the employee reconciles each expenditure for the appropriate unit(s) using FINET. The reconciler should not have FINET access to process accounts payable. Reconciliation of RWF purchases refer to Trust Funds Disbursement Cycle.</p>
<b>Individual assigned:</b>	<b>Individual assigned:</b>	<b>Individual assigned:</b>	<b>Individual assigned:</b>	<b>Individual assigned:</b>

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_

<sup>2</sup> A Court Executive may designate one alternate to electronically approve payables on FINET in his/her absence. Duties 3, 4, and 5 should be performed by 3 different employees, if possible. If staffing does not permit this level of separation, one employee could perform duties 3 and 5. To compensate for separation of duties weaknesses, post audit reviews will be performed by AOC Budget and State Finance.



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### Transaction Cycle: *Fixed Assets and Inventory*

<b>DUTY 1: Authorization</b>	<b>DUTY 2: Record Keeping</b>	<b>DUTY 3: Custody of Assets</b>
<p style="text-align: center;"><b>Payment Authorization</b></p> <p><i>Court Executive, Department Head or Designee</i> signs Accounts Payable Authorization form authorizing the purchase of fixed and current assets and inventory.</p> <p>Note: Courts are encouraged to develop policies and procedures to control items susceptible to loss or theft that are not required to be recorded in FINET.</p>	<p style="text-align: center;"><b>Fixed Assets and Inventory Records</b></p> <p>Employee affixes a pre-numbered ID tag to the fixed assets (&gt;\$5,000). Keep a “Retired Inventory List” of those assets that are no longer at location, retaining all documentation relating to the disposition of said property. By April 30 of each year, submit to AOC Budget an inventory of all equipment and furnishings with an original purchase price of more than 5,000. The AOC Fixed Asset Liaison will annually record each fixed asset with the purchase price of \$5,000 or more in the "fixed asset" section of FINET.</p>	<p style="text-align: center;"><b>Fixed Assets and Inventory Verification</b></p> <p>Employee, independent of authorization and record keeping duties, verifies the existence of the fixed assets and inventory in the district at least once every a year. The employee will trace the items on the Fixed Asset List maintained by AOC Budget (FINET). Any asset that is lost or stolen must be reported to the AOC Budget Department.</p>
<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>

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### Transaction Cycle: *Personnel/Payroll*

<b>DUTY 1: Authorization</b>	<b>DUTY 2: Record Keeping</b>	<b>DUTY 3: Custody of Assets</b>	<b>DUTY 4: Reconciliation</b>	<b>DUTY 5: Custody of Assets</b>
<b>Payroll Processing</b> Employee(s) authorized by supervisor to add permanent and temporary court employees into the Personnel/Payroll System. Access to the Personnel/Payroll System will be obtained from the AOC Human Resources Director.	<b>Time and Attendance Entry</b> Time and other pay entries may be entered into the payroll system in two ways: 1. The employee may use the Employee Self Service, ESS, to enter their own time. 2. A designated 'Time Entry Operator' may enter time from an employee's signed and supervisor approved time sheet, or enter other pay from appropriate and properly approved documents. Maintain a file of the approved time sheets.	<b>Approvals/Payroll Approval</b> Appropriate individuals and backups are authorized in the payroll system to approve payroll entries for the following: 1. Time entered in the Employee Self Service, ESS, is approved in the System by the employee's supervisor or designated alternate. 2. A "Payroll Coordinator" will use the payroll system to perform the review and approval process for time entered by a Time Entry Operator as per FACADE 11-17.02.	<b>Payroll Review</b> A manager or a supervisor, other than the time entry operator, reviews and approves the Time Summary, Time Edit, Time Entered After Cutoff, and Payroll Results Edit Report each pay period. Each department should maintain a record that a verification process was followed every pay period to ensure the accuracy of the data entered. The department is responsible for reviewing and approving the information contained on data entered in the Payroll System. (FACADE 11-17.01)	<b>Payroll Distribution</b> (A small number of checks are distributed) Employee (s), independent of Payroll Processing and Time and Attendance Entry Duties, are authorized to receive/pick-up payroll checks/deposit advices. The payroll checks/deposit advices should be compared to a current list of employees to ensure terminated employees do not receive pay not earned.
<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	
<b>AOC HR Employee</b>				
				*It is good business practice to place an employee's pay check/deposit advice in a sealed envelope to protect wage and privacy. Secure all pay checks until delivered to the employee.

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**TRANSACTION CYCLE: *ACCOUNTS RECEIVABLE MONITORING***

<b>DUTY 1: Record Keeping</b>	<b>DUTY 2: Custody of Assets</b>	<b>DUTY 3: Authorization</b>
<p><b>Employee(s) who enter and/or adjust Accounts Receivable/Order Accounts</b></p> <p>Sets up amounts ordered by a judge, Uniform Fine &amp; Bail Schedule, small claims/civil filing fees, etc. An employee, without access to or custody of monies should enter Accounts Receivables/Order Accounts.</p>	<p><b>Cashier(s) receipting Revenue and Trust payments on <u>past due</u> accounts</b></p> <p>Receipts revenue and trust payments, including payments on <u>past due</u> accounts, and maintains funds in a secure device.</p>	<p><b>Employee monitoring past due accounts</b></p> <p>District Court: Actively collect on past due receivables and ensure cases are sent to OSDC within 90 days.</p> <p>Juvenile Court: Actively collect on past due receivables. Send cases to OSDC (at least over 18 years per local district policy).</p> <p>If a case must be resent, the court shall wait one week from the recall date. The employee, other than the employee who recalled the case, verifies the new amount owing before resending.</p>
<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>	<b>Employee(s) assigned:</b>

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